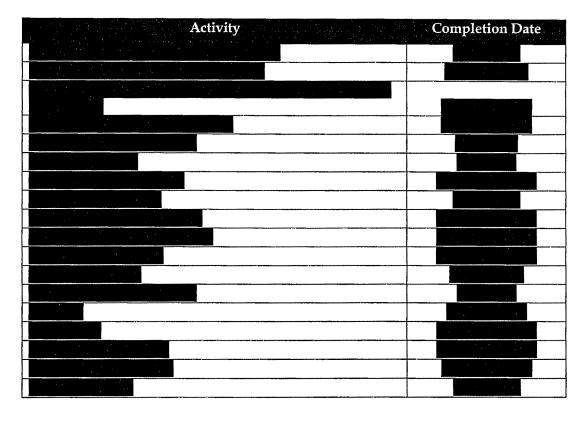
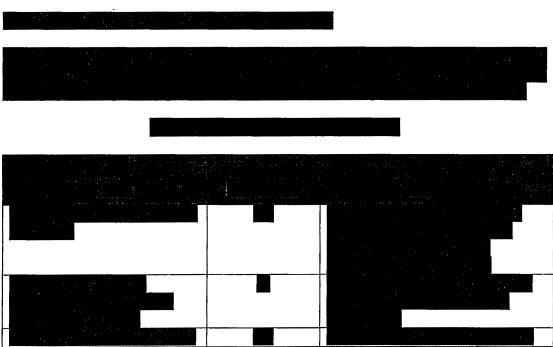
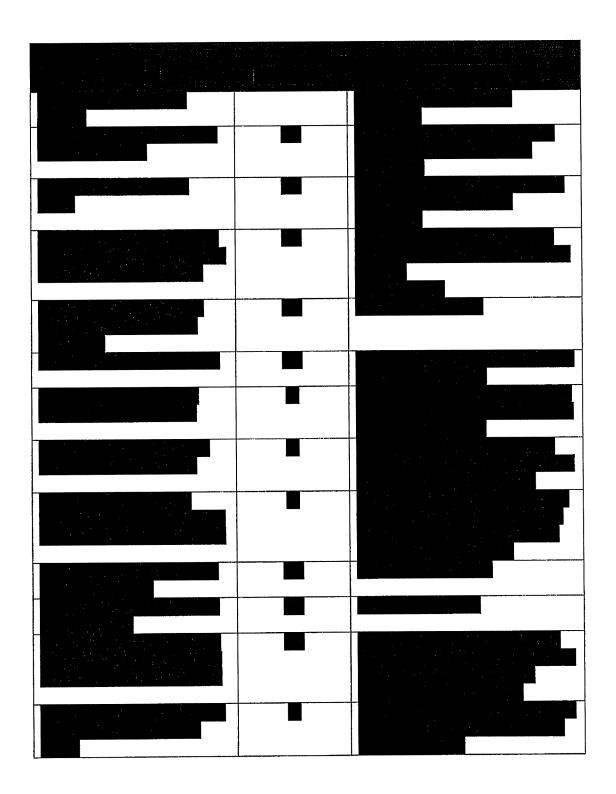
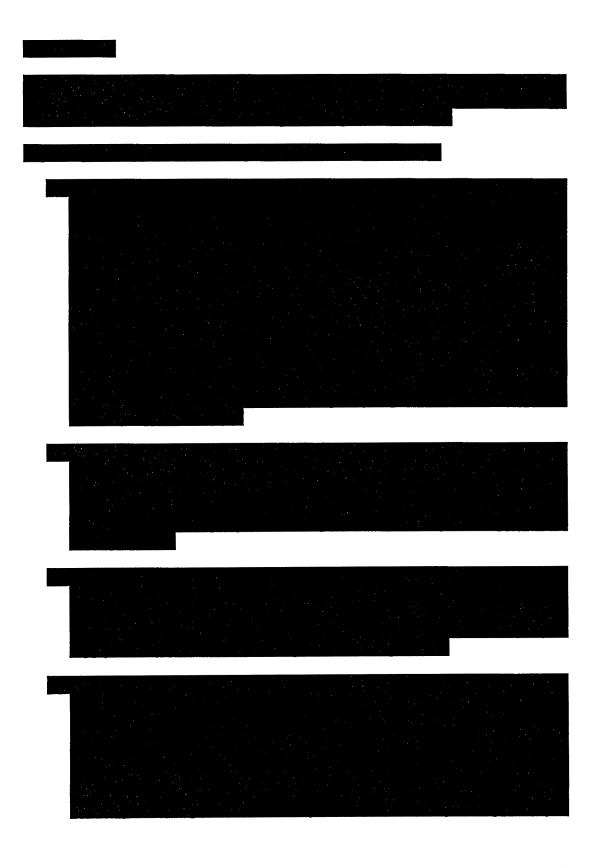


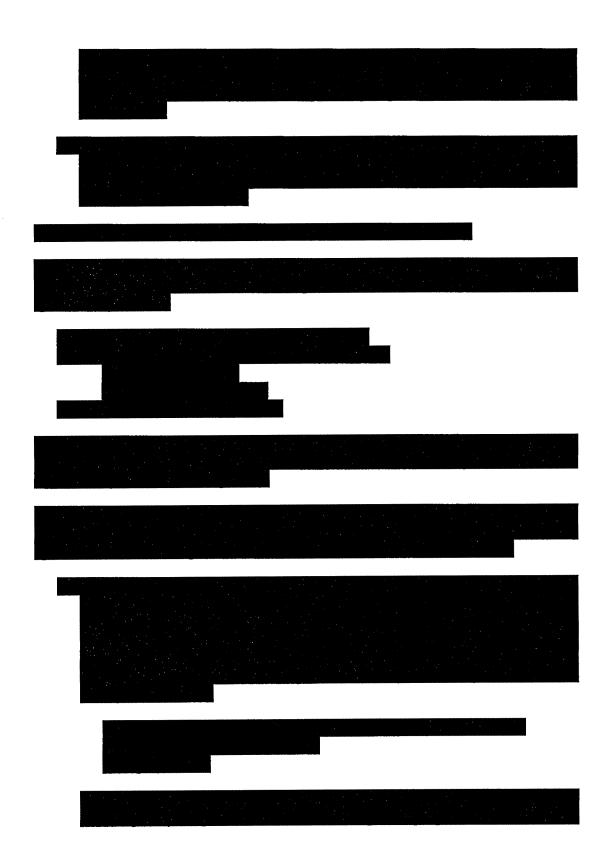
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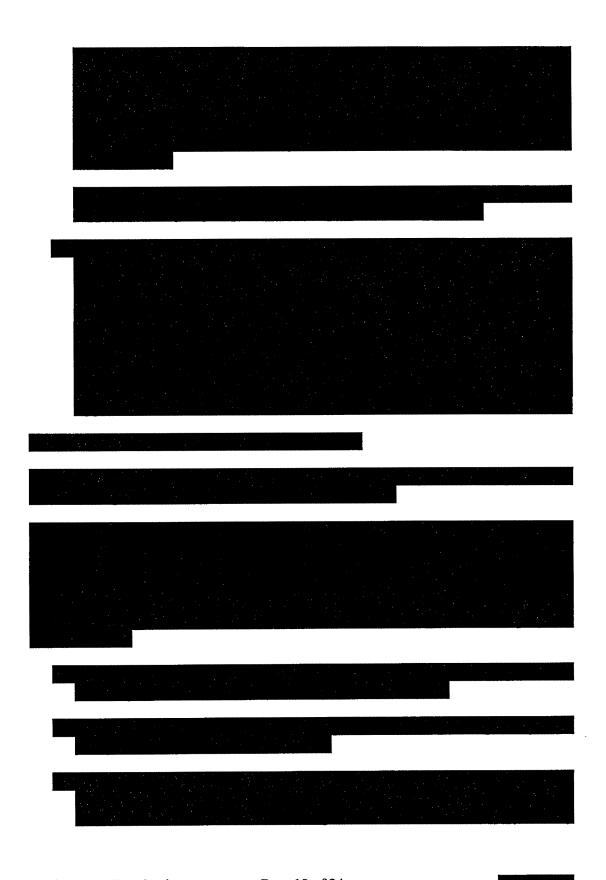


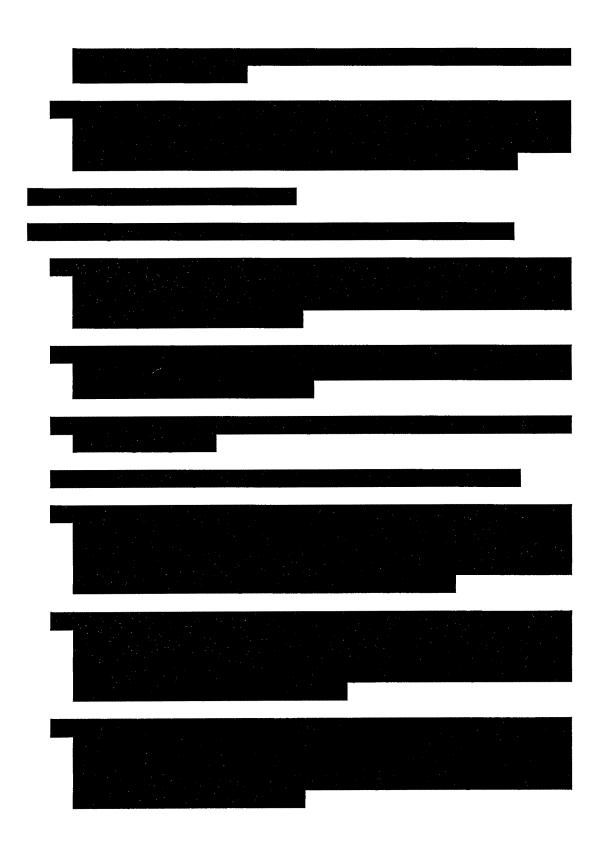


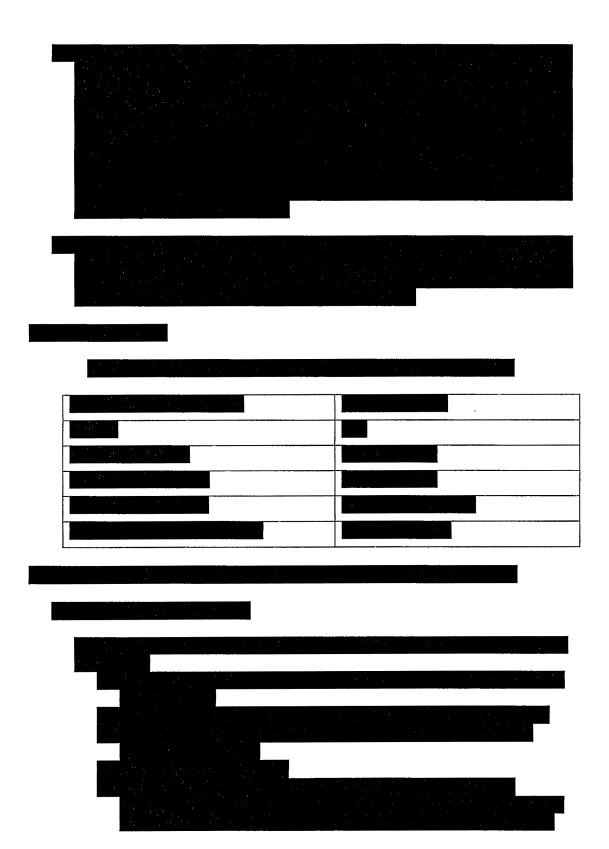


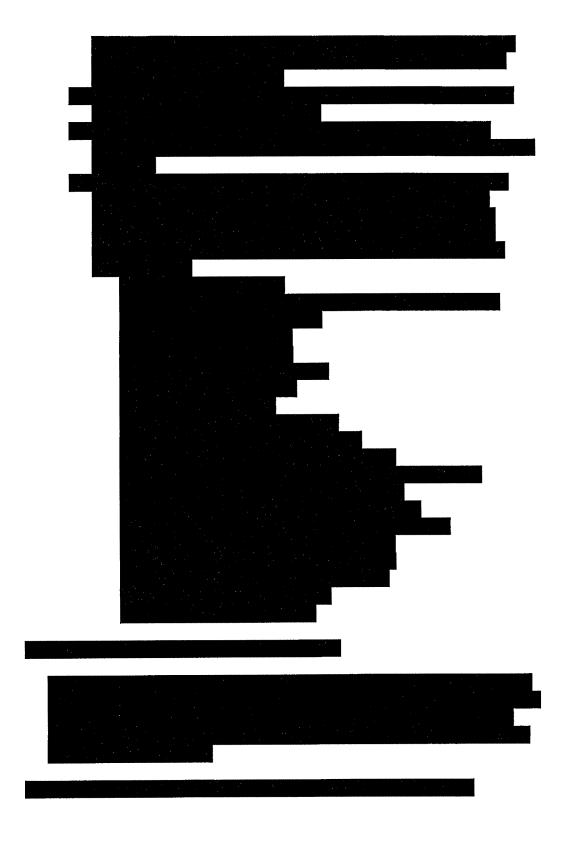


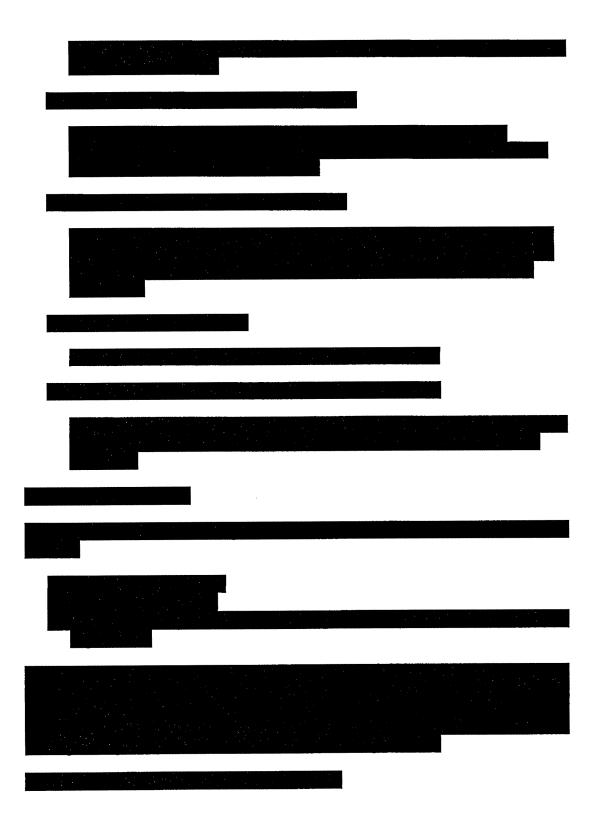












NOTIFICATION

Please direct questions, and provide notification of intended action regarding this proposal to:

Mr. Frank L. Rotondi President and Chief Executive Officer EnviroPower, LLC 9 Greenway Plaza Suite 762 Houston, Texas 77046

Telephone:

832-676-5611

Facsimile:

832-676-5610

E Mail:

frtnd@aol.com

CONCLUSION AND REQUEST FOR AWARD

EnviroPower presents this proposal in good faith with the strongest possible commitment that it provides the most competitive and most reliable base load power generation source available to East Kentucky Power Cooperative. We believe this proposal also maximizes the public interest of Kentuckians.

We are collectively prepared to demonstrate the viability of these assertions through:

- 0. A prudent, fair and reasonable contracting process.
- 0. Extensive detailed support to EKP's corporate and regulatory approval processes
- 0. Exceptional performance in all aspects.

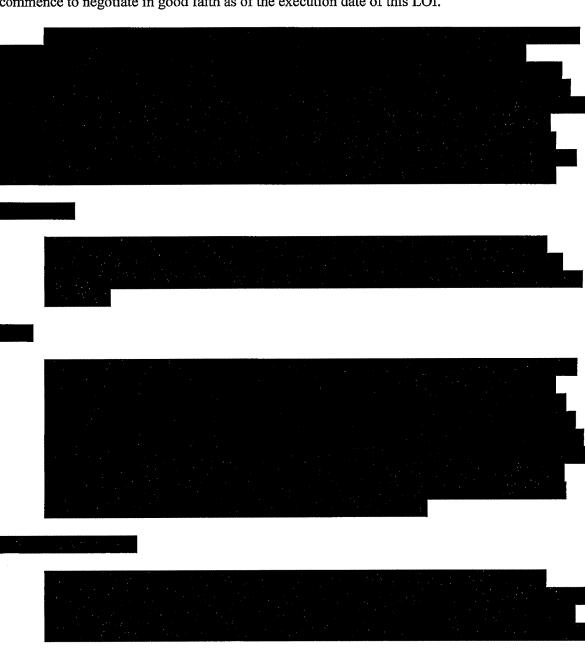
For these reasons, EnviroPower requests that EKP award KMP its base load requirements contract.

Thank you for your consideration in this vie	ai madei.
Sincerely,	
For EnviroPower, LLC:	For Khanjee Holdings:
Frank L Rotondi President and CEO	Akhtar Ali Khan Chairman and CEO

APPENDIX 2 – FORM OF LETTER OF INTENT

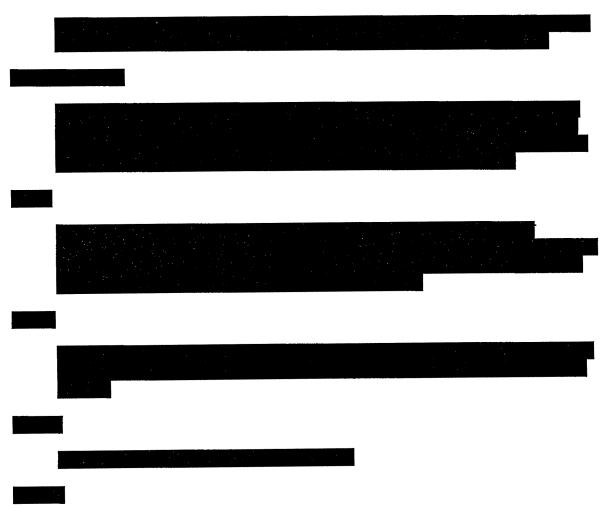
LETTER OF INTENT FOR BASE LOAD POWER PURCHASE

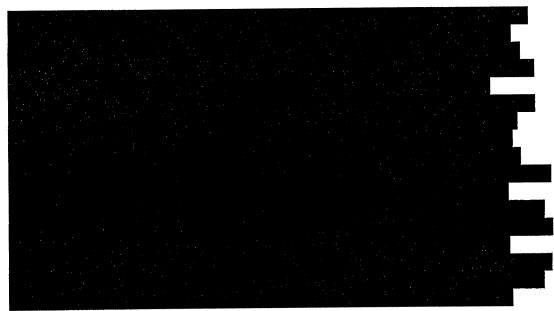
This Letter of Intent ("LOI") dated between East Kentucky Power Cooperative, Inc. ("EKP")("Buyer") and Kentucky Mountain Power, LLC ("KMP")("Seller") defines (a) a process to be mutually engaged between EKP and EnviroPower, and (b) the intended terms and conditions of a final Power Purchase Agreement ("PPA") that the Parties will commence to negotiate in good faith as of the execution date of this LOI.



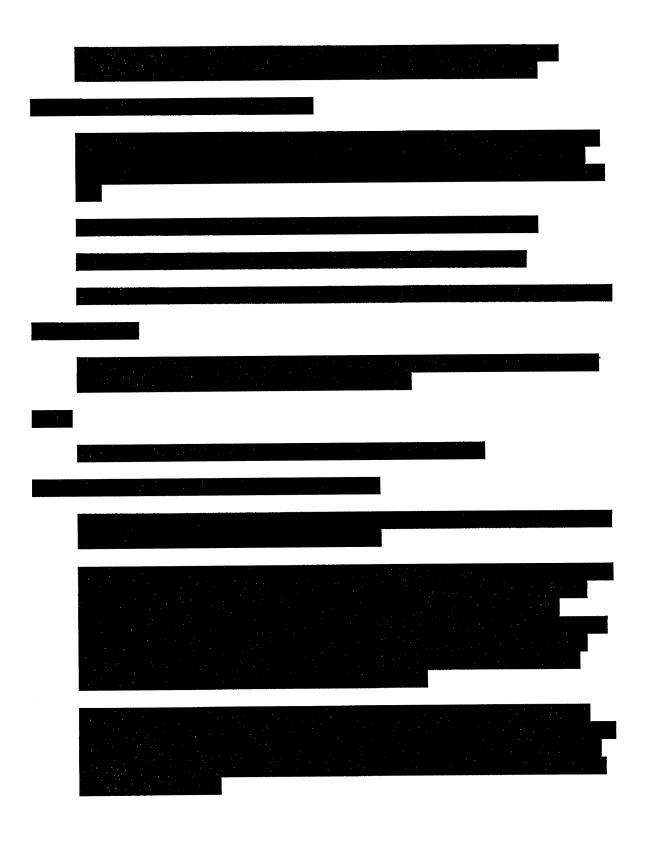
EKP - Draft #1

Page 1 of 16

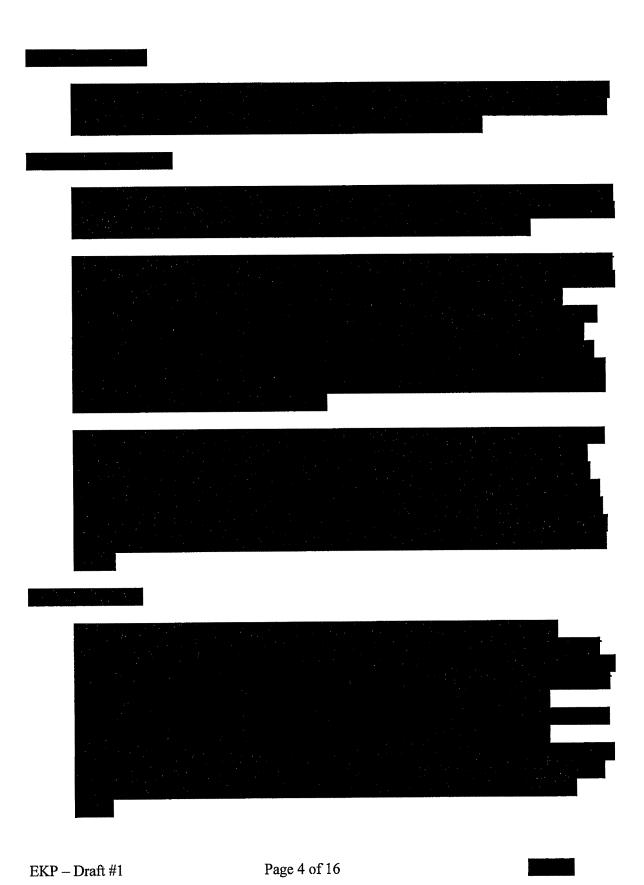


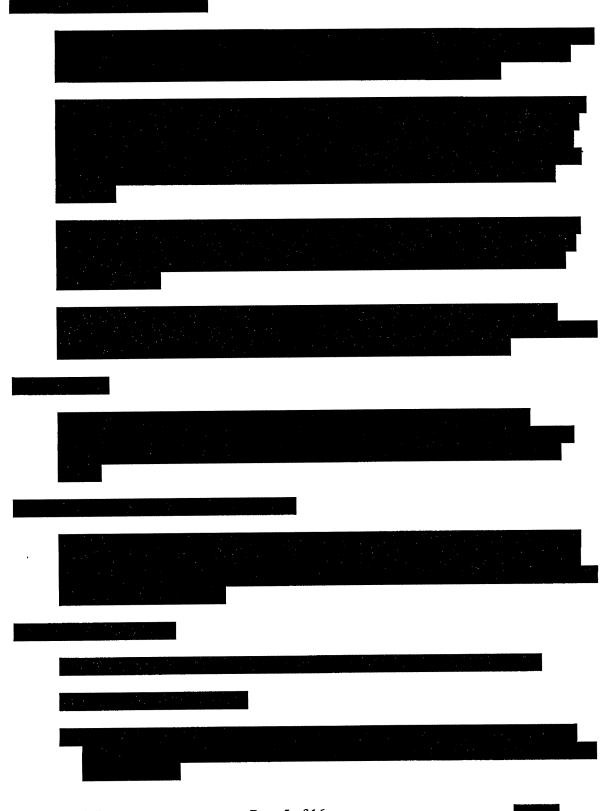


Page 2 of 16

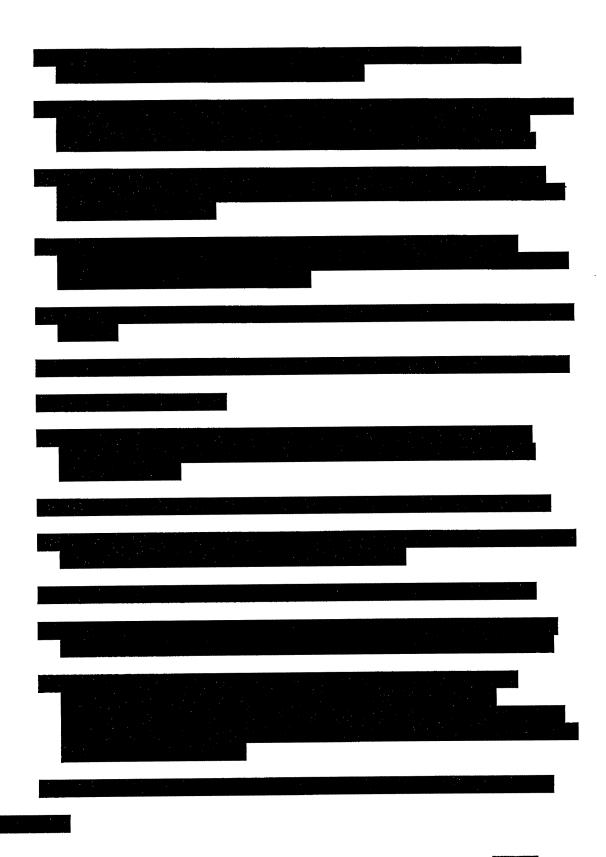


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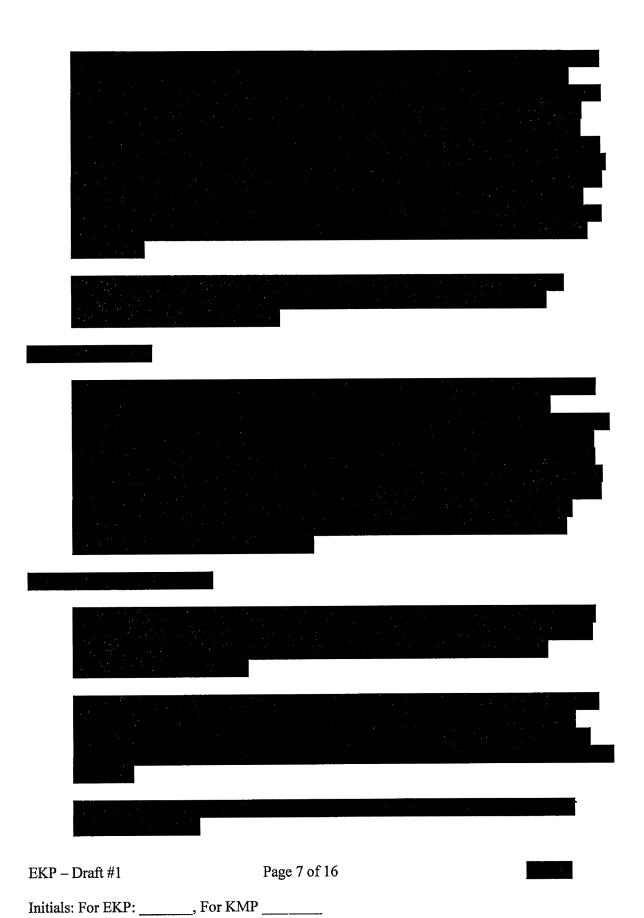


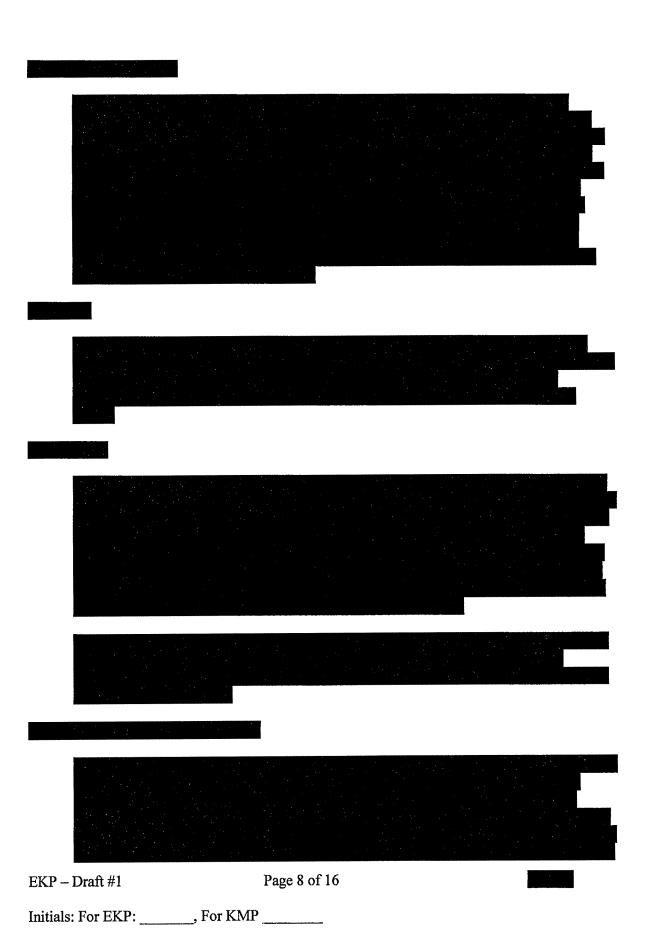


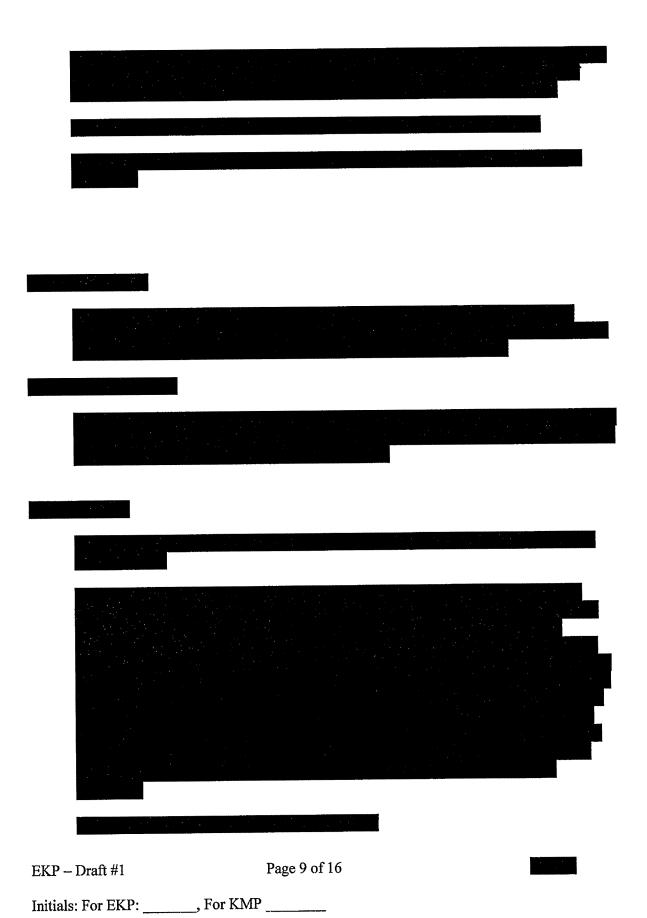
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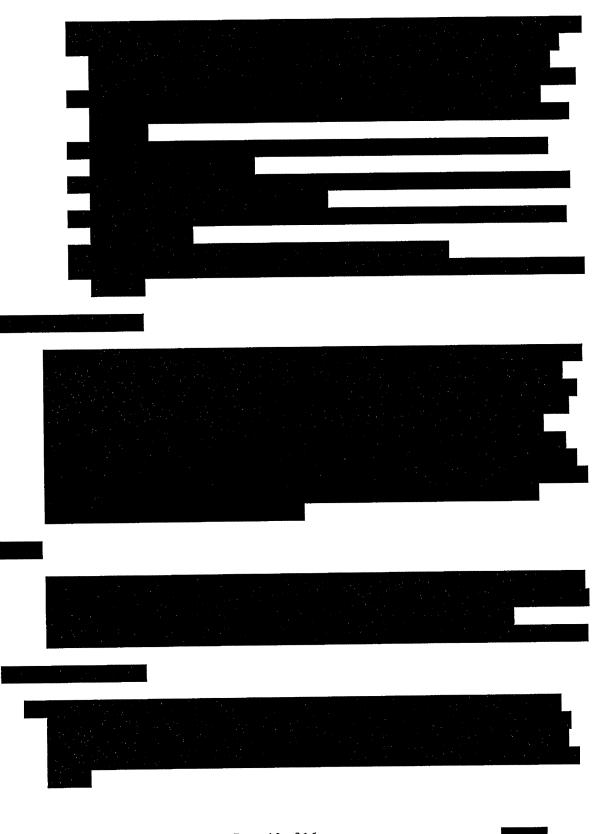


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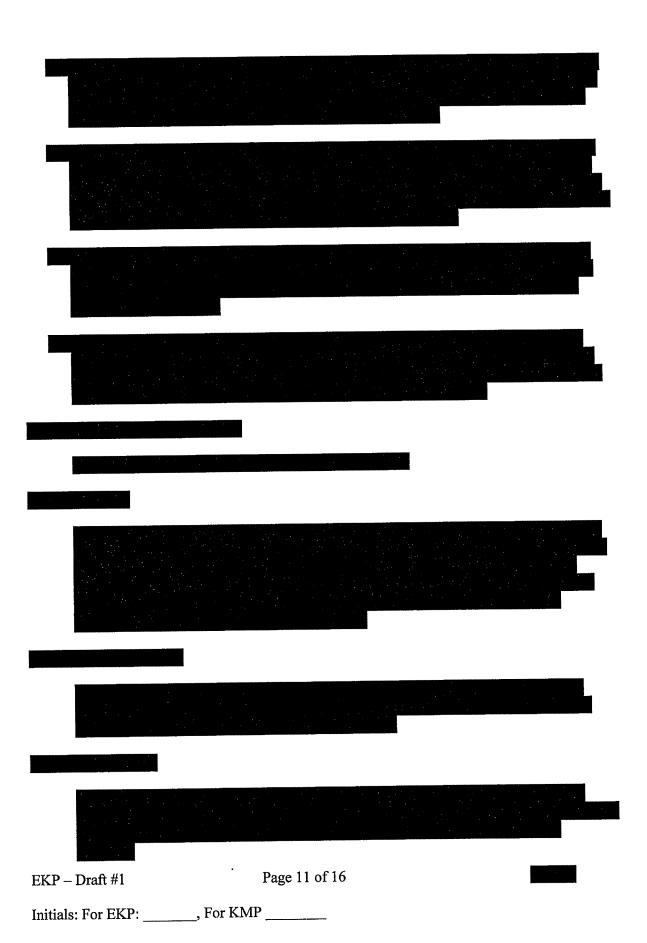


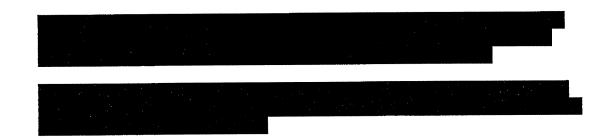






Page 10 of 16







Page 12 of 16

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Agreed to a	nd accepted on	:		
Seller:			, LLC	
By: Name: Title:				
Buyer:				
By: Name:			wantan water w	
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EXHIBIT A - SITE MAP

To be inserted.

EKP – Draft #1 Page 14 of 16

Initials: For EKP: _____, For KMP _____

EXHIBIT B - POWER PRICING

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EKP - Draft #1

Page 15 of 16

EKP – Draft #1 Page 16 of 16



Nine Greenway Plaza, Sulte762 Houston, TX 77046

February 9, 2005

Ms. Mary Hawkins Division for Air Quality 843 Schenkel Lanc Frankfort, KY 40601-1403 Fax # 502-573-3787

Dear Ms. Hawkins:

RECEIVED

FEB 9 2005

PERMIT REVIEW BRANCH DIVISION FOR AIR CUALITY

Re: Freedom of Information Request

I respectfully request to review the Notice of Deficiency Letter issued by DAQ on Feb 7, 2005 to East Kentucky Power Cooperative on their PSD Air Permit application V-97-050 for Spurlock 4 Generating Station. This can be faxed to me at \$59-626-3643 or enailed to me at birdrandy@bellsouth.net. I can be contacted at 606-434-0329 if you have any questions. Thank you for your attention to this request.

VP EnviroPower

February 9, 2005

ATTN: Mr. Robert Hughes
East Kentucky Power Cooperative, Inc.
Manager of Environmental Affairs
4775 Lexington Road, P.O. Box 707
Winchester, Kentucky 40392

RE: Follow-up notice of deficiency on the PSD/ Title V Application for Hugh L. Spurlock

Generating Station-E.A. Gilbert Unit #4

Permittee Name: East Kentucky Power Cooperative, Inc (EKPC)

Activity #: APE20040001 Source I.D.#: 21-161-00009

Source AI#: 3004

Dear Mr. Hughes:

On November 22, 2004, the Division for Air Quality (Division) issued a deficiency letter with attachments from the National Park Services and the U.S. EPA for the above-referenced application. The Division received a response from East Kentucky Power Cooperative (EKPC) dated December 20, 2004, in which the items identified in the deficiency letter and attachments were purported to be addressed or the assertion was made by EKPC that they were not required under the state or federal prevention of significant deterioration (PSD) of air quality regulations. A preliminary review of your response as well as continued review of the application has uncovered several deficiencies which are addressed in this letter. This may not be an exhaustive listing of all errors or omissions in the application; the Division will forward additional deficiencies as they are discovered.

1. The Division has reviewed the responses and concluded that the Best Available Control Technology (BACT) Analyses must be re-visited, and modeling for the Class I analysis must be based on a refined CALPUFF analysis. The application cannot be fully evaluated until it contains acceptable modeling to assure protection of Class I areas. The analysis must treat Gilbert units 03 and 04 as single project for visibility impact. The Division notes you previously treated these as a single project in your Environmental Assessment submitted by EKPC to the Public Services Commission dated January 2002. Please have your modeler contact Mr. Stuart Ecton to arrange a meeting between the Division modeling reviewers and your engineering consultants as soon as schedules permit to discuss Class II modeling issues.



Mr. Robert Hughes EKPC Page 2 of 6

- 2. For SO₂ the RACT/BACT/LAER Clearing house (RBLC) is to be considered a starting point, not the sole authority. There are a variety of nationwide projects with applications that must be considered in a BACT analysis. For instance, the Nevco Energy Company-Sevier Power in Sevier County, Sigurd, Utah is also a circulating fluidized bed coal boiler, permitted on October 12, 2004, with SO₂ limits of .022 lb/mmBtu on a 30-day rolling average, 0.05 lb/mmBtu on a 24-hour average. Additionally, U.S. EPA determined that 99% SO₂ removal was possible and practical using MEL scrubbers. This level of control would reduce emissions by half from those in the application. The RACT/BACT/LAER Clearinghouse (RBLC) is an incomplete source for BACT on SO₂.
- 3. The Division reiterates that under Kentucky and Federal regulations BACT PM₁₀ emission limit must include condensables as well as filterables, or there should be separate BACT limits for filterables and condensables. PM₁₀ modeled impacts must be checked to make sure they include condensables. Your response to the Divison's earlier request has not addressed the regulatory requirements. BACT is therefore incomplete for PM₁₀. The national and state definition of PM₁₀ requires that BACT be performed on total PM₁₀, as determined by a combination of filterable and nonfilterable test methods.
- 4. EKPC must provide the information for the boiler dry lime scrubbing unit and the baghouse to confirm that it is specific for Unit 4. Submittal of information in 2002 does not validate the current vendor information on the proposed project.
- 5. The application fails in most cases to properly state the basis for BACT, instead listing BACT as an emission rate per unit of heat input. BACT is the maximum degree of reduction for each pollutant subject to regulation under 42 USC 7401 to 7671q (Clean Air Act). The application should state the control efficiency of each pollution control train.
- 6. Integrated gasification combined cycle (IGCC) was excluded from consideration. Justification of why IGCC is not appropriate to consider under 401 KAR 51:017 or sound technical reasons for exclusion must be submitted. For instance, CITGO's Lake Charles gasification project is scheduled to begin commercial operation in the first quarter of 2005. The Lima Energy Facility, a 580-megawatt coal fired plant, is also not addressed.
- 7. We acknowledge that previously a period of optimization was allowed for determining NOx BACT for the Gilbert Unit #3, portion of this construction project, but based on the maturity of the technology the Division will no longer accept such an ill-defined determination for control of NOx. Additionally, the Division has recently confirmed that Hitachi has provided SCR controls on CFB units. Compliance periods should be justified for BACT. Recent permits have required a much shorter compliance demonstration period than the 30-day average suggested by the application. An emission limit of 0.07 lbs/mmBtu on a three-hour average is more stringent than 0.07 lbs mm/Btu on a 30-day average. U.S. EPA has also approved/permitted BACT for NOx at Longview, West Virginia at the level of 0.04 lbs mmBtu.

Mr. Robert Hughes EKPC Page 3 of 6

- 8. Coal washing is a proven technology to reduced SO2 and emissions of mercury and other Hazardeus Air Pollutants. EKPC must provide an analysis of why the purchase of washed coal is not MACT and BACT. EKPC must provide the basis for its undocumented assertion of 5 percent sulfur retention in ash.
- 9. A performance specification for particulate continuous emissions monitoring (CEM) has recently became available. The application should include a CEM for compliance monitoring or a justification for its exclusion.
- 10. Compliance periods must be justified for BACT determinations. Periods must be chosen that represent BACT and are protective of national ambient air quality standards (NAAQS) and increments.
- 11. As part of this project, multiple existing support facilities are undergoing an increase in capacity; this represents a change in the method of operation as defined under PSD. Existing limits on currently permitted units cannot be considered BACT for a new project as indicated in the application. Increased emission rates from this expansion for existing units must be included in any compliance modeling. A top-down BACT review must be performed on all units undergoing a change in the method of operation.
- 12. The Division is aware that the final maximum achievable control technology (MACT) for utility industries has not been signed. Therefore, a case-by-case MACT analysis must be done in accordance with the requirement of federal regulation 40 CFR 63.53. The emission rate for mercury in the application is higher than the January 30, 2004, proposed MACT for bituminous-fired units; therefore EKPC should re-visit the rate as well as the controls.

The case-by-case MACT determination application submitted by EKPC is deficient despite the fact that U.S. EPA has asked before that EKPC submit a complete case-by-case MACT application in accordance with 40 C.F.R. § 63.43(e). To clarify any misunderstandings of what a complete case-by-case MACT determination application entails, the following is a list of the requirements found in 40 C.F.R. § 63.43(e) for a case-by-case MACT determination application:

- i. An application for a case-by-case MACT determination (which includes a permit application under Title V of the Act) shall specify a control technology selected by the owner or operator that, if properly operated and maintained, will meet the MACT emission limitation or standard as determined according to the principles set forth in paragraph 40 C.F.R. § 63.43(d).
- ii. The name and address (physical location) of the major source to be constructed or reconstructed:
- iii. A brief description of the major source to be constructed or reconstructed and identification of any listed source category or categories in which it is included;
- iv. The expected commencement date for the construction or reconstruction of the major source;

Mr. Robert Hughes EKPC Page 4 of 6

- v. The expected completion date for construction or reconstruction of the major source;
- vi. The anticipated date of startup for the constructed or reconstructed major source;
- vii. The hazardous air pollutants (HAP) emitted by the constructed or reconstructed major source, and the estimated emission rate for each such HAP, to the extent this information is needed by the permitting authority to determine MACT;
- viii. Any federally enforceable emission limitations applicable to the constructed or reconstructed major source;
- ix. The maximum and expected utilization of capacity of the constructed or reconstructed major source, and the associated uncontrolled emission rates for that source, to the extent this information is needed by the permitting authority to determine MACT;
- x. The controlled emissions for the constructed or reconstructed major source in tons per year at expected and maximum utilization of capacity, to the extent this information is needed by the permitting authority to determine MACT;
- xi. A recommended emission limitation for the constructed or reconstructed major source consistent with the principles set forth in 40 C.F.R. § 63.43(d) of this section;
- xii. The selected control technology to meet the recommended MACT emission limitation, including technical information on the design, operation, size, estimated control efficiency of the control technology (and the manufacturer's name, address, telephone number, and relevant specifications and drawings, if requested by the permitting authority):
- xiii. Supporting documentation including identification of alternative control technologies considered by the applicant to meet the emission limitation, and analysis of cost and non-air quality health environmental impacts or energy requirements for the selected control technology; and
- xiv. Any other relevant information required pursuant to 40 C.F.R. § 63 subpart A.

Additionally, to further clarify the principles of MACT determinations, we are including the language found in 40 C.F.R. § 63.43(d). The following general principles shall govern preparation by the owner or operator of each permit application or other application requiring a case-by-case MACT determination concerning construction or reconstruction of a major source, and all subsequent review of and actions taken concerning such an application by the permitting authority:

i. The MACT emission limitation or MACT requirements recommended by the applicant and approved by the permitting authority shall not be less stringent than the emission control which is achieved in practice by the best controlled similar source, as determined by the permitting authority.

Mr. Roben Hughes EKPC Page 5 of 6

- ii. Based upon available information, as defined in 40 C.F.R. § 63.42, the MACT emission limitation and control technology (including any requirements under paragraph 40 C.F.R.
 - § 63.43(d)(3)) recommended by the applicant and approved by the permitting authority shall achieve the maximum degree of reduction in emissions of HAP which can be
 - achieved by utilizing those control technologies that can be identified from the available information, taking into consideration the costs of achieving such emission reduction and any non-air quality health and environmental impacts and energy requirements associated with the emission reduction.
- iii. The applicant may recommend a specific design, equipment, work practice, or operational standard, or a combination thereof, and the permitting authority may approve such a standard if the permitting authority specifically determines that it is not feasible to prescribe or enforce an emission limitation under the criteria set forth in section 112(h)(2) of the Act.
- iv. If the Administrator has either proposed a relevant emission standard pursuant to section 112(d) or section 112(h) of the Act or adopted a presumptive MACT determination for the source category which includes the constructed or reconstructed major source, then the MACT requirements applied to the constructed or reconstructed major source shall have considered those MACT emission limitations and requirements of the proposed standard or presumptive MACT determination.

For purposes of identifying control technologies options, available information means information contained in the following information sources as of the date of approval of the MACT determination by the permitting authority:

- i. A relevant proposed regulation, including all supporting information;
- ii. Background information documents for a draft or proposed regulation;
- iii. Data and information available from the Control Technology Center developed pursuant to section 113 of the Act;
- iv. Data and information contained in the Aerometric Informational Retrieval System including information in the MACT data base;
- v. Any additional information that can be expeditiously provided by the Administrator; and
- vi. For the purpose of determinations by the permitting authority, any additional information provided by the applicant or others, and any additional information considered available by the permitting authority.

According to section 112(g) requirements, EKPC must provide a case-by-case determination application that meets the regulatory requirements outlined above. The document entitled "Case-by-Case MACT Determination" provided by EKPC does not contain a complete case-by-case

Mr. Robert Hughes EKPC Page 6 of 6

MACT determination application. Although mercury is the HAP that is currently of most interest for coal-fired power plant MACT evaluations, other HAP will also be emitted from the EKPC Generating Station's pulverized coal boilers.

Based on emission estimates provided by the applicant, the following HAP must be considered in the case-by-case MACT evaluation: mercury, hydrogen chloride, hydrogen fluoride, metallic compounds (represented by arsenic, beryllium, chromium and manganese) and volatile organic HAPs including but not limited to acetaldehyde, benzyl chloride, isophorone, methyl chloride, methyl ethyl ketone and propionaldehyde).

- 13. Since there was an error in the application on the cooling tower calculations, the Division requires that completed revised forms including other technical or typographical errors noted should be resubmitted.
- Pursuant to 401 KAR 51:017, Section 11, Air Quality Analysis, an application for a permit under this administrative regulation shall contain an analysis of ambient air quality in the area that the major stationary source or major modification will affect. Since your source has potential emission of greater than 40 tons per year of VOC, a BACT and an air quality analysis must be performed for ozone.

The Division considers the application incomplete and will not be able to complete our review of your application until the noted deficiencies are addressed. You are requested to submit the aforementioned information by March 08, 2005. Please contact Mr. Tom Adams, or me at (502) 573-3382, if you have any questions.

Sincerely.

VGATEY authenticity with Approveit

E-Slaned by Markin, Ben

Ben Markin

Combustion Section Supervisor

Permit Review Branch

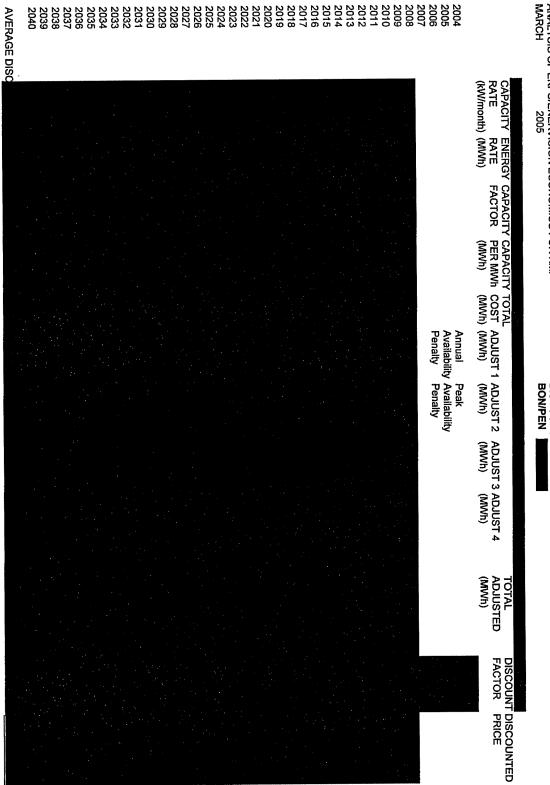
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Attachment: Letter from the U.S.EPA-Region 4

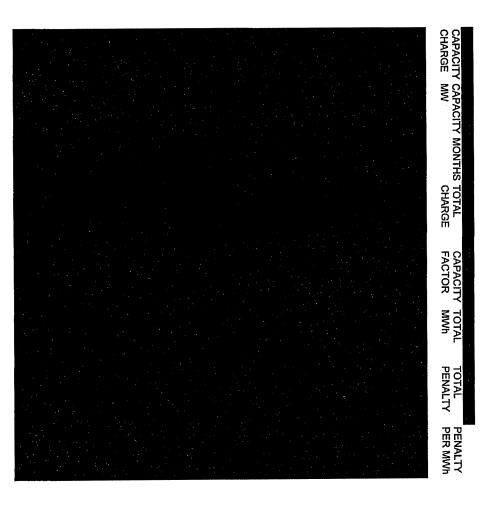
Letter from the U.S. Department of Interior

ec: Bob Carson, National Park Service
Jim Little, U.S. EPA Region 4
Stuart Ecton, Program Planning Branch

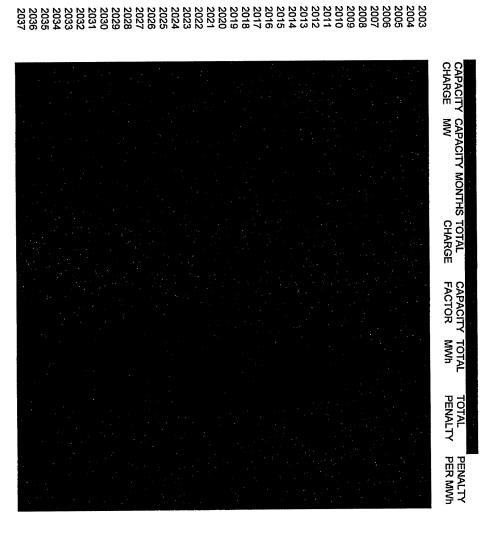
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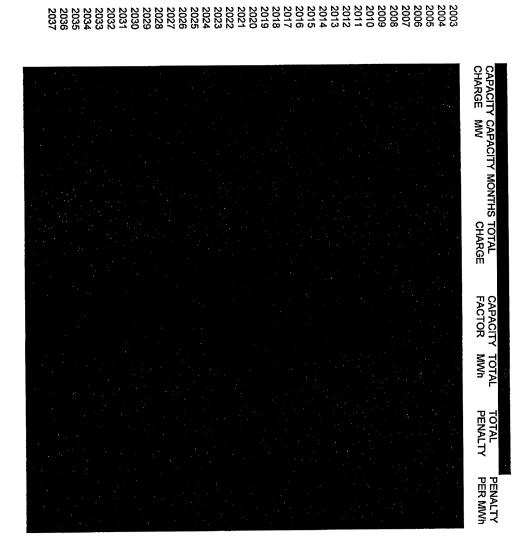




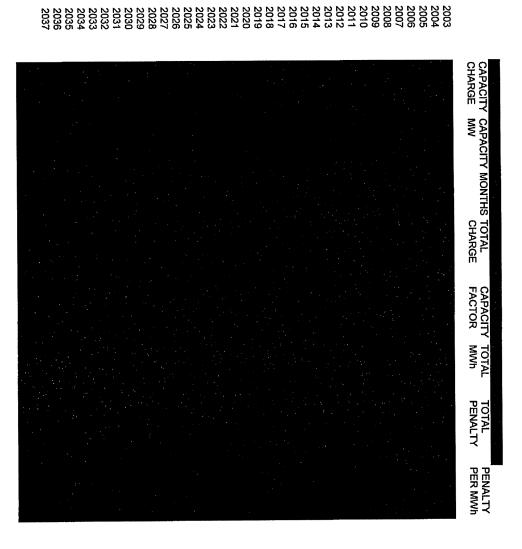


AVERAGE DISCOUNTED PRICE









CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by regular U.S. mail (unless otherwise noted) to all parties on this 30th day of March, 2005.

Charles Lyle, Esq.
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P.O. Box 707
Winchester, Kentucky 40392-0707

(electronically)

(by courier)

Mr. Bill Bosta, Manager of Pricing Process East Kentucky Power Cooperative, Inc. 4775 Lexington Road P.O. Box 707 Winchester, Kentucky 40392-0707

Elizabeth Blackford, Esq. Office of Rate Intervention 1024 Capitol Center Drive Frankfort, Kentucky 40601 (electronically)

Frederic J. Cowan Lynch, Cox, Gilman & Mahan, P.S.C. 400 West Market Street Suite 2200 Louisville, Kentucky 40202 (electronically)

Michael L. Kurtz Boehm, Kurtz & Lowry 36 East 7th Street, Suite 1510 Cincinnati, Ohio 45202 (electronically)

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